

Annual Management Report of Fund Performance

ADDENDA INCOME FOCUS FUND

December 31, 2022

This annual management report of fund performance contains financial highlights but does not contain the complete annual financial statements of the investment fund. You can get a copy of the annual financial statements of the fund, at your request, and at no cost, by calling toll-free 1 866 908-3488, by writing to us at 800 René-Lévesque Blvd. West, Suite 2750, Montréal, Québec H3B 1X9, by visiting our website at addendacapital.com, by visiting SEDAR's website at sedar.com or by contacting your advisor. You may also contact us using one of these methods to request a copy of the investment fund's proxy voting policies and procedures, proxy voting disclosure record, or quarterly portfolio disclosure.

Notes on Forward-looking Statements

This report may contain forward-looking statements concerning the Fund, its future performance, its strategies or prospects or about future events or circumstances. Such forward-looking statements include, among others, statements with respect to our beliefs, plans, expectations, estimates and intentions. The use of the expressions “foresee”, “intend”, “anticipate”, “estimate”, “assume”, “believe” and “expect” and other similar terms and expressions indicate forward-looking statements. By their very nature, forward-looking statements imply the use of assumptions and necessarily involve inherent risks and uncertainties. Consequently, there is a significant risk that the explicit or implicit forecasts contained in these forward-looking statements might not materialize or that they may not prove to be accurate in the future. A number of factors could cause future results, conditions or events to differ materially from the objectives, expectations, estimates or intentions expressed in such forward-looking statements. Such differences might be caused by several factors, including changes in Canadian and worldwide economic and financial conditions (in particular interest and exchange rates and the prices of other financial instruments), market trends, new regulatory provisions, competition, changes in technology and the potential impact of conflicts and other international events. The foregoing list of factors is not exhaustive. Before making any investment decision, investors and others relying on our forward-looking statements should carefully consider the foregoing factors and other factors. We caution readers not to rely unduly on these forward-looking statements. We assume no obligation to update forward-looking statements in the light of new information, future events or other circumstances unless applicable legislation so provides.

Addenda Income Focus Fund

Management Discussion of Fund Performance

Investment Objective and Strategies

The Addenda Income Focus Fund's (the "Fund") investment objective is to provide income while focusing on capital preservation and providing some potential for capital growth by investing primarily in a mix of domestic and foreign fixed income-oriented securities and to a lesser extent, domestic and foreign equity securities through a sustainable investment approach. Such investments may be made by the Fund either directly or indirectly through investments in other mutual funds, including ETFs.

To achieve the Fund's investment objective, the Manager uses strategic asset allocation as the principal investment strategy. The Fund has a target weighting of 65-95% in Fixed Income and Money Market, and a target weighting of 5-35% in Equity.

In addition, when selecting the majority of securities in which the Fund invests, the Manager will integrate environmental, social and governance (ESG) matters along with active stewardship, which covers engagement with issuers and proxy voting.

Risk

There were no significant changes to the investment objectives or strategies that affected the Fund's overall level of risk during the period. There were no changes to the Fund's risk rating during the reporting period. This Fund remains suitable for investors who are seeking a combination of current income and some long term growth and who have a low tolerance for risk.

Results of Operations

The Fund was launched on March 21, 2022 (beginning of operations March 28, 2022), and its net asset value was \$93,499,685 as of December 31, 2022. However, we cannot provide performance data since the fund has been available under a prospectus for less than one year.

Recent Developments

Central banks continued to raise policy rates during the second half of 2022. The Bank of Canada ended the year at 4.25%, compared with a target range of 4.25 – 4.50% for the Federal Reserve. Both central banks suggested that they have not finished tightening for this cycle. Due to the maintenance of restrictive monetary policy, recession risk is increasing as 2023 progresses. Corporate spreads narrowed during the fourth quarter after hitting the widest levels of the year in October, supported by a positive overall tone for risk markets. Inflation is declining but may be more persistent and higher than expected, potentially causing central banks to maintain tight policy.

Market volatility could remain elevated throughout 2023 due to higher rates and tight monetary policy, as well as potentially weaker corporate profits. Commodity, energy, and agricultural prices could stay firm, supporting a large portion of the Canadian equity markets, but will be negative on corporate margins overall.

Against this backdrop, the Fund ended 2022 underweight in its Canadian fixed income component due to concerns further central bank tightening would pressure interest rates higher, with an allocation to cash serving as a defensive cushion. It also had modest exposure to global and high yield securities. Within the equity component, the Fund was underweight in Canadian equities, U.S., and International equities.

Addenda's Canadian impact fixed income investments focus on four key themes of climate change, community development, education and health and wellness. The climate change investment theme represented the largest share of Addenda's Canadian impact fixed income investments. Focus areas of the climate change theme included renewable energy, energy efficiency and clean transportation.

As part of our climate transition equity process, we pursued engagement with numerous companies on issues regarding climate strategy. We added to several existing holdings which met our climate transition criteria and where valuations looked appealing, in addition to initiating positions in several new companies for further diversification.

On December 31, 2022, Joanne Vézina ceased to be a member of the Fund's independent review committee (the "IRC") as she has resigned as IRC member. On January 1, 2023, the Fund's IRC appointed Renée Piette as IRC member.

Related Party Transactions

Addenda Capital Inc. ("Addenda") is the Manager and Portfolio Manager of the Fund. Addenda is controlled by Co-operators Financial Services Limited ("CFSL"), a wholly-owned subsidiary of Co-operators Group Limited. Addenda pays the "Operating Expenses" (defined below) of the Fund other than its "Fund Expenses" (defined below), in exchange for the Fund's payment to the Manager of annual fixed-rate administration fees with respect to each series of the Fund.

The administration fees are equal to a percentage of the net asset value of each series of the Fund calculated and paid in the same manner as the Fund's management fees. The Operating Expenses include, but are not limited to: audit and legal fees; transfer agency and recordkeeping costs; accounting and valuation fees; safekeeping and custodial costs; trustee services costs; and the costs of preparing and distributing financial reports, prospectuses, annual information forms, fund facts, continuous disclosure materials and other investors communication.

In addition to administration fees, the Fund shall also pay certain Fund Expenses, namely: taxes (including, without limitation, GST and PST or HST, capital taxes, income taxes and withholding taxes); bank charges, borrowing and interests; termination fees; regulatory filing fees; costs related to the Independent Review Committee; Operating Expenses incurred outside of the normal course of business of the Fund; costs of compliance with newly adopted securities regulations; and costs associated with portfolio transactions, brokerage fees and other trading expenses.

The Fund also pays annual management fees to Addenda as consideration for its services.

For more details on the Fund's fees and expenses, please refer to the "Fees and Expenses" section in the Simplified Prospectus.

Addenda has established the IRC for the Fund in accordance with the requirements of *National Instrument 81-107 - Independent Review Committee for Investment Funds* in order to review conflicts of interest as they relate to investment fund management. The Fund did not rely on an approval, positive recommendation or standing instruction from the Fund's IRC with respect to any related party transactions in the period.

As at December 31, 2022, Addenda held 2 Fund securities for a value of \$19, which represented close to 0% of the net asset value of the Fund at that date. Transactions between Addenda and the Fund were carried out in the normal course of business.

Addenda Income Focus Fund

Related Party Transactions (continued)

As at December 31, 2022, CFSL held 9,819,274 Fund securities for a value of \$93,493,235, which represented 99.99% of the net asset value of the Fund at that date. Transactions between CFSL and the Fund were carried out in the normal course of business.

As a result of these transactions, the Fund may be subject to large investor risk as discussed in the Simplified Prospectus. Addenda manages this risk to reduce the possibility of any adverse effect on the Fund or on its investors, through such processes as requiring advance notice of large redemptions and large transaction fee.

Financial Highlights

The following tables show selected key financial information about the Fund and are intended to help you understand the Fund's financial performance for the accounting periods shown.

Net Assets per Unit ⁽¹⁾

Series A	2022* \$
Net Assets, beginning of period	—
Increase (decrease) from operations:	
Total revenue	0.32
Total expenses	(0.01)
Realized gains (losses) for the period	(0.33)
Unrealized gains (losses) for the period	(2.72)
Total increase (decrease) from operations ⁽²⁾	(2.74)
Distributions:	
From income (excluding dividends)	(0.07)
From dividends	(0.03)
From capital gains	—
Return of capital	—
Total Distributions ⁽³⁾	(0.10)
Net Assets, end of period	9.20

Net Assets per Unit ⁽¹⁾

Series F	2022* \$
Net Assets, beginning of period	—
Increase (decrease) from operations:	
Total revenue	0.24
Total expenses	(0.07)
Realized gains (losses) for the period	(0.26)
Unrealized gains (losses) for the period	(0.60)
Total increase (decrease) from operations ⁽²⁾	(0.69)
Distributions:	
From income (excluding dividends)	(0.12)
From dividends	(0.04)
From capital gains	—
Return of capital	—
Total Distributions ⁽³⁾	(0.16)
Net Assets, end of period	9.52

* For the period from March 28, 2022 (beginning of operations) to December 31, 2022.

⁽¹⁾ This information is derived from the Fund's audited annual financial statements.

⁽²⁾ Net assets and distributions are based on the actual number of units outstanding at the relevant time. The increase/decrease from operations is based on the weighted average number of units outstanding over the financial period.

⁽³⁾ Distributions were reinvested in additional units of the Fund.

Addenda Income Focus Fund

Ratios and Supplemental Data

Series A	2022*
Total Net Asset Value ('000s of \$) ⁽¹⁾	2
Number of Units Outstanding	264
Management Expense Ratio (%) ⁽²⁾	0.07
Management Expense Ratio before waivers or absorptions (%)	0.07
Trading Expense Ratio (%) ⁽³⁾	0.06
Portfolio Turnover Rate (%) ⁽⁴⁾	66.62
Net Asset Value per Unit (\$)	9.20

Ratios and Supplemental Data

Series F	2022*
Total Net Asset Value ('000s of \$) ⁽¹⁾	93,497
Number of Units Outstanding	9,819,275
Management Expense Ratio (%) ⁽²⁾	0.80
Management Expense Ratio before waivers or absorptions (%)	0.80
Trading Expense Ratio (%) ⁽³⁾	0.06
Portfolio Turnover Rate (%) ⁽⁴⁾	66.62
Net Asset Value per Unit (\$)	9.52

* For the period from March 28, 2022 (beginning of operations) to December 31, 2022.

⁽¹⁾ This information is provided as at December 31 of the year shown.

⁽²⁾ Management expense ratio is based on total expenses (excluding commissions and other portfolio transaction costs) for the stated period and is expressed as an annualized percentage of daily average net asset value during the period.

⁽³⁾ The trading expense ratio represents total commissions and other Fund transaction costs expressed as an annualized percentage of daily average net asset value during the period.

⁽⁴⁾ The Fund's portfolio turnover rate indicates how actively the Fund's portfolio adviser manages its portfolio investments. A portfolio turnover rate of 100% is equivalent to the Fund buying and selling all of the securities in its portfolio once in the course of the year. The higher a fund's portfolio turnover rate in a year, the greater the trading costs payable by the fund in the year, and the greater the chance of an investor receiving taxable capital gains in the year. There is not necessarily a relationship between a high turnover rate and the performance of a fund.

Management Fees

The Fund pays annual management fees to the Fund manager for its management services. The fees are calculated based on a percentage of the Fund's daily net asset value before applicable taxes and are paid on a monthly basis. A portion of the management fees paid by the Fund covers maximum annual trailer fees and sales commissions paid to brokers. The remainder of the management fees primarily covers investment management and general administration services. The breakdown of major services provided in consideration of the management fees, expressed as an approximate percentage of the management fees is as follows:

	Management Fee (%)	Investment Advisory and Other Fees (%)	Trailer Fee (%)
Series A	1.20	41.67	58.33
Series F	0.50	100.00	N/A

Past Performance

Investment performance is not provided for a Fund that has been available for less than one year.

Addenda Income Focus Fund

Summary of Investment Portfolio

The investments and percentages will change over time due to ongoing portfolio transactions and market movements. A quarterly update of the Summary of Investment Portfolio is available and may be obtained by asking your representative for a copy, contacting the Manager, Addenda, at 1 866 908-3488 or mutualfunds@addendacapital.com, or by visiting addendacapital.com or sedar.com.

Top 25 Investments

As at December 31, 2022

Security	% of net asset value
1. Government of Canada, Series N670, 2.250%, 2029-12-01	13.3
2. Province of Ontario, Series DMTN251, 1.550%, 2029-11-01	7.8
3. Hydro-Québec, Series 20, 6.000%, 2040-02-15	5.3
4. NEI Global Impact Bond Fund, Series 1	5.0
5. NEI Global High Yield Bond Fund, Series 1	3.2
6. Canada Treasury Bills, 2023-02-02	3.1
7. Manulife Financial Corp., 3.317%, (Floating rate starting in 2023), 2028-05-09	2.7
8. Lower Mattagami Energy L.P., Series 21-1, 2.433%, 2031-05-14	2.3
9. Government of Canada, Series M680, 1.750%, 2053-12-01	2.1
10. Province of Ontario, Series DMTN249, 2.150%, 2031-06-02	2.1
11. Province of Québec, 3.650%, 2032-05-20	2.0
12. Brookfield Renewable Partners ULC, Series 11 4.250%, 2029-01-15	1.6
13. Canada Housing Trust No. 1, Series 83, 2.350%, 2023-06-15	1.6
14. Government of Canada, Series XG49, 5.750%, 2033-06-01	1.4
15. Coast Capital Savings Federal Credit Union, 5.000% (Floating rate starting in 2023), 2028-05-03	1.4
16. Fédération des caisses Desjardins du Québec, 2.417% 2024-10-04	1.3
17. Sun Life Financial Inc., Series 2019-1, 2.380%, (Floating rate starting in 2024), 2029-08-13	1.3
18. Central 1 Credit Union, Series 7, 2.391%, (Floating rate starting in 2026), 2031-06-30	1.2
19. Province of Ontario, Series DMTN244, 1.850%, 2027-02-01	1.2
20. Ontario Power Generation Inc., Series 3, 4.248%, 2049-01-18	1.2
21. Brookfield Renewable Partners ULC, Series 12, 3.380% 2030-01-15	1.1
22. Hospital For Sick Children, Series B, 3.416%, 2057-12-07	1.0
23. University of Toronto, Series B, 5.841%, 2043-12-15	1.0
24. FortisBC Energy Inc., Series 33, 2.540%, 2050-07-13	1.0
25. Province of Ontario, Series DMTN236, 2.900%, 2049-06-02	1.0
Total % of Top 25 Investments	66.2

Asset Mix (%)

As at December 31, 2022



